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SECURITIES AND EXCHANGE COMMISSION

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File Number 0-15953

NETCOR, INC.
(Exact name of registrant as specified in its charter)

California	77-0114805
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification Number

850 Auburn Court Fremont, CA.	94538
(Address of principal executive offices)	(Zip Code)

(510) 623-3700
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate number of shares outstanding of each of the issuer's classes of common stock, at the latest practical date:

COMMON STOCK OUTSTANDING AS OF March 31, 1992

Common Stock, No Par Value.	14,027,570

This Report on 10-Q, including all attachments, contains 10 pages.

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NETCOR, INC.

FORM 10-Q

QUARTERLY REPORT

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PART I

NETCOR, INC.

Balance Sheets

ASSETS	March 31, 1992	June 30, 1991(1)
Current assets:		
Cash	$ 134,513	$ 75,421
Accounts receivable	505,211	445,043
Inventories	617,813	385,811
Other current assets	14,760	16,338
Total current assets	1,272,297	922,613
Property and equipment, net	120,011	111,293
Other assets	65,099	103,360
Goodwill (2)	360,796	354,159
	$ 1,818,203	$ 1,491,425
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (3)	$ 1,259,275	$ 1,036,230
Accrued liabilities	110,374	156,667
Bank debt	46,000	130,000
Debenture Payable (4)	226,699	205,426
Other debt	17,716	56,948
Total current liabilities	1,660,064	1,585,271
Secured Debentures Payable(5)	362,500	-
Long-term debt	14,133	114,269
Stockholders' equity:		
Preferred Stock: 750,000 of no par value authorized (6)	701,610	-
Common stock: 17,500,000 shares authorized; 6,142,760 outstanding on 6/30/91; 13,642,760 shares outstanding on 9/30/91. (7)	3,732,935	3,093,731
Accumulated Deficit	(4,027,039)	(3,216,096)
Shareholder notes receivable	(626,000)	(85,750)
Total stockholders' equity	(218,494)	(85,750)
	$ 1,818,203	$ 1,491,425

See accompanying notes to unaudited financial statements.

NETCOR, INC.
Statements of Operations

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991
Revenue	$ 669,328	$ 815,151	$ 2,185,901	$ 2,521,664
Cost of goods sold	553,503	532,361	1,638,216	1,604,582
Gross Profit	115,825	282,790	547,685	917,082
Operating expenses:				
Research and development	169,958	91,100	567,292	274,700
Marketing, general and administrative	271,160	194,654	775,905	592,185
Operating profit (loss)	(325,293)	(2,964)	(795,512)	50,197
Interest and other income (expense)	(7,626)	6,651	(15,431)	(51,391)
Income tax expense	0	0	0	300
Profit (loss)	$ (332,919)	$ 3,687	$ (810,943)	(1,494)
Net profit (loss) per common and common equivalent share	$ (0.02)	$ 0.01	$ (0.04)	$ 0.00
Weighted average common and common equivalent shares outstanding	15,062,380	5,199,853	15,062,380	5,199,853

See accompanying notes to unaudited financial statements.

NETCOR, INC.
Statements of Cash Flow

	Nine Months Ended March 31, 1991	Nine Months Ended March 31, 1992
Cash flows from operating activities:		
Net profit (loss)	$ (1,495)	$ (810,943)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Minority interest earnings	(8,152)	-
Depreciation & amortization	50,171	61,859
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(86,370)	(60,168)
(Increase) in inventories	(64,651)	(232,002)
(Increase) in prepaid expenses	(13,140)	1,578
(Increase) in goodwill & other assets	30,049	31,624
Increase in accounts payable	178,256	223,045
Increase in accrued liabilities	12,754	(46,293)
Net cash used in operating activities:	97,423	(831,300)
Cash flows from investing activities:		
Purchase of equipment and fixtures	70,451	(69,884)
Cash flows from financing activities:		
Proceeds from Sale of Stock	-	701,610
Proceeds from long-term debt	-	362,450
Principal payments on borrowings	(79,601)	(103,784)
Net cash used in financing activities	(78,600)	960,276
Net increase (decrease) in cash and certificates of deposit	(51,628)	59,092
Cash at beginning of period	69,141	75,421
Cash at end of period	17,513	134,513

See accompanying notes to unaudited financial statements.

Supplemental schedule of non-cash investing activities:

None

NETCOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1991 and 1990

(1) **Interim Financial Information.** Interim financial information is unaudited, but, in the opinion of management, such information contains all adjustments, consisting of normal recurring accruals, necessary for a fair statement of results for the interim periods presented. However, the results for the interim periods are not necessarily indicative of the results to be expected for the entire year. Amounts shown in the June 30, 1991 column of the Balance Sheet are identical to the values shown in the Company's audited financial statements for the indicated items. These financial statements should be read in conjunction with the Corporation's audited June 30, 1991 financial statements and accompanying notes thereto.

(2) **Goodwill**. Goodwill associated with the acquisition of Giltronix, Inc. and the purchase of the ANC Assets. Amortization rate is based on fifteen and ten years respectively.

(3) **Accounts Payable** Includes approximately $100,000 past due to Stanley Finberg under the terms of the ANC Asset Purchase Agreement; $35,000 past due to the company's independent auditor, Grant Thornton; $24,000 past due to corporate counsel, George Grellas & Asso.; and the balance to various suppliers of materials for manufacturing and other services, of which more than $550,000 is past due.

(4) **Debenture Payable**. Includes $69,000 for Debentures issued in January 1990 with due dates of January 1994. These Debentures are now due as a result of an acceleration caused by failure to pay interest amounts of $6,900 due in January 1991 and $6,900 due in January 1992. Also includes the interest amount due. Also includes approximately $28,000 past due to holders of the Giltronix Debentures who did not respond to the Company's offer to convert the Debentures into Common Stock in December 1990. Also includes $98,500 of Debentures payable to the former Giltronix shareholders which automatically convert into Common Stock in December 1992 under the terms of an amendment to the Debenture which was approved by the Holders in June 1991. On February 13, 1992, the Board of Directors approved a resolution calling for the early conversion of these Debentures into Common Stock and in April 1992 the Company issued 934,810 shares of its Common Stock in exchange for the Debentures.

(5) **Secured Debenture payable** During the three month period ending March 31, 1992 the Company issued its Series A Secured Convertible Debentures in exchange for $412,500 in cash to certain private investors. The Series A Debentures are convertible into the Series A Preferred Stock of the Company at an exchange rate of $10.00 per share and earn interest at an annual rate of 14%. The interest is to be accrued monthly and is also convertible into the Series A Preferred shares at a rate of $10.00 per share. The Debentures are due on February 15, 1995 unless

earlier converted.

(6) **Preferred Stock** Represents the net amount raised in the issuance of Series A Preferred Shares in the financing dated July 5, 1991 and December 9, 1991. See "Changes in Securities".

(7) **Common Stock** Reflects the issuance of 7,500,000 shares to George W. Gray as part of the financing arrangement completed by the Company on July 5, 1991 the details of which are provided in the Form 10K filed by Registrant on October 11, 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

In the quarter ended March 31, 1992, Netcor, Inc. had sales of $669,328 compared to $815,151 in the quarter ending March 31, 1991. For the nine month period, sales in the current year were $2,185,901 compared to $2,521,664 in the prior year. The lower sales were attributed to lower order rates from the Company's sales channels which were further attributed to delays in completion of certain new products by the Company and to a lessening of demand for the existing products of the Company. Neither inflation nor changing prices had a serious impact on the Company's net sales or income.

The Company reported a net loss in the quarter ending March 31, 1992 of $332,919 or $0.02 per share compared to a net profit of $3,687 or $0.01 per share in the March 31, 1991 period. For the nine month period the current year loss was $810,943, or $0.05 per share, compared to a loss of $1,494, or zero per share, in the prior year nine month period. The increased loss is attributed to increased spending related to the efforts of management to increase engineering and sales resources in order to improve the competitive posture of the Company's products and to the lower revenues.

Interest expenses were not a material item in the financial periods covered by this report.

Research and development expenses were $169,958 for the quarter ending March 31, 1992 compared to R&D expenses of $91,100 in the quarter ending March 31, 1991. For the nine month period, R & D spending was $567,292 in the current year compared to $274,700 in the prior year. The spending increase in R & D reflected the Company's plan to invest in new product development in an effort to improve its market position.

Marketing, general and administrative expenses were

$271,160 in the three month period ending March 31, 1992 compared to $194,654 in the three month period ending March 31, 1991. For the nine month period, marketing and G&A spending was $775,905 in the current year compared to $592,185 in the prior year nine month period. The increased marketing and G&A spending reflected the Company's plan to invest in market development in an effort to improve its market position.

The spending increases in engineering, marketing and G&A contributed $154,304 to the $332,919 net loss for the three month period ending March 31, 1992 and $476,312 to the $810,943 net loss realized in the nine month period ending March 31, 1992.

The Company is continuing to expand its network connection product line and intends to be a factor in this market. This program will require continued spending in R & D and marketing.

Liquidity.

Since inception, the Company has financed its operations through the sale of its Common Stock in private stock sales, in its initial public offering, and in exchange for services; in the sale of its Series A Preferred Stock in private stock sales; and through the issuance of its Series A Debentures in private transactions.

At March 31, 1992 the Company's current ratio was 0.76 to 1.0 as compared to 0.81 to 1.0 on March 31, 1991. Working capital decreased from negative $259,442 on March 31, 1991 to negative $387,767 on March 31, 1992. Cash on March 31, 1992 was $134,513 compared to $17,513 on March 31, 1991. As a result of the losses encountered in the nine months ended March 31, 1992, Netcor continues to be seriously delinquent in its payments to trade and other creditors., (See Note under Notes to Financial Statements). For reasons more fully described in Netcor's Form 10K filing dated October 11, 1991, liquidity constraints on the Company caused its independent auditor's to issue a qualified opinion concerning the ability of the Company to continue as a going concern.

In an effort to deal with continuing liquidity problems, the Board of Directors authorized management to pursue the sale of up to $1,250,000 of equity in a private placement. As of April 10, 1992, management concluded this funding effort having raised a total of $1,175,000 of new capital through the sale of 76,250 Series A Convertible Preferred shares at a price of $10.00 per share and the issuance of Series A Secured Convertible 14% Debentures at a price of $412,500. The net amount realized from the $1,175,000 after deduction of financing expenses was $1,114,110. While it was expected that this additional capital would be sufficient to allow the Company to improve its liquidity position to an acceptable level, continuing losses in the period ending March 31, 1992 have caused the Company to need additional capital. Therefore, the Board of Directors has authorized

management to extend its financing efforts to raise additional capital through further private placement activities. Management is continuing to pursue all available sources of such funding.

Capital Resources.

On March 9, 1990, registrant signed a sub-lease on 15,775 square feet of office and R & D space located at 850 Auburn Street, Fremont, California 94538. The sub-lease period runs until June 14, 1993 and registrants total payments under the sub-lease will be $345,002.

The amount of the Company's other commitments for capital expenditures as of December 31, 1990 is not material.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

During the nine month period ending March 31, 1992, Netcor issued 7,500,000 shares of its Common Stock in exchange for payment in the form of a non recourse note in the amount of $626,000. The issuance was made as part of the sale of 55,000 shares of its Series A Preferred Stock in exchange for cash in the amount of $550,000. See Form 10K filing dated October 11, 1991 for complete details of this transaction. Furthermore, on July 9, 1991, the Company repurchased 450,000 shares of its Common Stock previously issued to former employees under the terms of the Company's Employee Restricted Stock Purchase Plan. In addition, the Company issued 934,810 shares of its Common Stock on December 21, 1991 and will issue an additional 934,810 shares of its Common Stock on April 29, 1992 in exchange for the cancellation of certain Debentures issued in conjunction with the acquisition of 85% of the shares of Giltronix, Inc. in December 1989.

Between July 9, 1991 and December 31, 1991 the Company issued 76,250 of its Series A Convertible Preferred stock at a price of $10.00 per share.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

On October 14, 1991, in a special shareholder meeting, the Company received approval from a majority of its shareholders to amend its articles of incorporation to reflect an increase in the number of authorized shares of its Common Stock from 17,500,000 shares to 60,000,000 shares. In addition, at the same meeting, the Company received approval of a majority of its shareholders to amend the Employee Stock Option Plan to increase the number of shares reserved for issuance under the plan from 750,000 to 1,500,000.

Item 5. Other Information.

On September 27, 1991, the Company entered into an Agreement with its Vice President, Research & Development, whereby his full time employment with the Company would be terminated and further providing for the establishment of a consulting arrangement between the individual and the Company. The consulting agreement was terminated by mutual consent of the parties on February 29, 1992.

Item 6. Exhibits and Reports on Form 8-K

A) Exhibits:

None.

B) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NETCOR, INC.
(REGISTRANT)

By: George W. Gray
George W. Gray, CEO

Date: May 14, 1992